

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 STRE-00 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-07 INT-05  
L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15  
STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01  
FEA-01 /085 W  
-----240408Z 068379 /72-61

R 221321Z MAR 77  
FM AMEMBASSY NEW DELHI  
TO SECSTATE WASHDC 2043  
INFO AMCONSUL BOMBAY  
AMCONSUL CALCUTTA  
AMCONSUL MADRAS

C O N F I D E N T I A L NEW DELHI 4043

STATE FOR NEA/INS

PASS STR

E.O. 11652: GDS  
TAGS: ETRD IN  
SUBJECT: US TRADE POLICY TOWARDS INDIA

REF: A. NEW DELHI 3783, B. STATE 060198

1. DURING THE PAST MONTH GOI OFFICIALS , NOTABLY IN THE  
MINISTRY OF COMMERCE, HAVE INDICATED TO US THEIR CONCERNS ABOUT  
US TRADE RESTRICTIONS ON INDIAN EXPORTS. MOC IS HOPEFUL  
THAT SOME EASING OF THESE RESTRICTIONS WILL LESSEN THE SUB-  
STANTIAL BILATERAL TRADE IMBALANCE (OVER \$400 MILLION IN 1976)  
IN FAVOR OF THE US. THREE AREAS ARE OF PARTICULAR CONCERN  
TO GOI - IMPORT SENSITIVE ITEMS, ADDITIONS TO US GSP LIST,  
AND TROPICAL PRODUCTS. SOME ACTION ON OUR PART ON THESE  
TRADE QUESTIONS, WHILE COSTING US LITTLE, WOULD BE MEANINGFUL  
TO THE INDIANS. ALSO, FORWARD MOVEMENT ON THE TRADE FRONT  
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MIGHT OFFSET TO SOME DEGREE UNFAVORABLE GOI REACTION TO OUR  
RECENT ACTIONS ON IDA V.

2. IMPORT-SENSITIVE ITEMS: THE GOI HAS REQUESTED  
THAT KOLHAPURI CHAPPALS BE EXCLUDED FROM US QUOTA  
RESTRICTIONS ON FOOTWEAR IMPORTS (SEE REFTTEL A). THE INDIANS POINT  
OUT THAT THIS KIND OF FOOTWEAR COMPETES WITH NO US PRODUCT, AND THE

VOLUME IN TERMS OF OUR MARKET IS VERY SMALL. SINCE CHAPPALS ARE DISTINCTLY INDIAN, EXCLUSION FROM A QUOTA WOULD BE A SIGNIFICANT GESTURE TO THEM. FURTHER, THE GOI HAS BEEN INTERESTED IN MAKING SOME ARRANGEMENT TO EXCLUDE HANDLOOMS FROM THE US TEXTILE AGREEMENT WITH INDIA. SOME DISCUSSION ON THIS MATTER HAS TAKEN PLACE WITH STR. BECAUSE INDIAN EXPORTS OF HANDLOOMS TO THE US HAVE DROPPED SUBSTANTIALLY IN RECENT MONTHS, THE MATTER HAS LOST SOME URGENCY FOR US. HOWEVER, THIS ISSUE IS STILL IMPORTANT TO THE GOI BECAUSE THE EC, POINTING TO THE US ARRANGEMENT, HAS DEMANDED THAT HANDLOOMS BE INCLUDED IN THEIR EC-INDIA TEXTILE AGREEMENT.

3. ADDITIONS TO US GSP: LAST NOVEMBER THE GOI REQUESTED THAT 56 PRODUCTS BE ADDED TO OUR GSP SCHEME. OF THESE ITEMS, ONLY ONE ( VEGETABLE IN BRINE) WAS ADDED TO THE GSP EFFECTIVE MARCH 1, 1977. WE HAVE REQUESTED THE MINISTRY OF COMMERCE TO DRAW UP FOR OUR CONSIDERATION A REVISED, SHORTER REQUEST LIST THAT IS MORE REALISTIC AND REFLECTS PRIORITY CONCERNS. MOC JOINT SECRETARY PREM KUMAR IS CONSIDERING GOING TO WASHINGTON (PERHAPS IN APRIL) TO DISCUSS GSP AND OTHER TRADE MATTERS, AND WE HAVE TOLD HIM WE BELIEVE SUCH A VISIT WOULD BE USEFUL.

4. TROPICAL PRODUCTS: THE GOI IS HOPEFUL THAT THE USG WILL RESPOND FAVORABLY TO MOST OF THEIR REQUESTS FOR CONCESSIONS ON TROPICAL PRODUCTS. AS A MATTER OF PRINCIPLE, WE HAVE INSISTED THAT INDIA MAKE CONTRIBUTIONS  
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AS OFFSETS TO THESE CONCESSIONS. MOC OFFICIALS HAVE POINTED OUT THAT IN THE PAST YEAR THE GOI HAS ELIMINATED UK TRADE PREFERENCES AND HAS MET OUR BASIC DEMANDS ON EXPORTS OF INDIAN MICA TO THE US. ( REFTEL B). ALSO, THE GOI HAS SUBSTANTIALLY LIBERALIZED IMPORT PROCEDURES, WHICH SHOULD BENEFIT THE US AS WELL AS OTHER COUNTRIES. FURTHER, THE GOI MAY TAKE OTHER SPECIFIC TRADE LIBERALIZATION MEASURES IN THE FUTURE. WE COULD CONSIDER ACCEPTING THESE ACTIONS AS "CONTRIBUTIONS" BY INDIA AND AGREE TO GOI REQUESTS ON TROPICAL PRODUCTS.

5. EMBASSY IS AWARE OF THE DOMESTIC AND INTERNATIONAL CONSTRAINTS UNDER WHICH OUR TRADE POLICY MUST OPERATE. MANY OF THE MATTERS MENTIONED ABOVE ARE BEING DISCUSSED IN A MULTILATERAL CONTEXT. HOWEVER, WITHIN THIS FRAMEWORK, WE HOPE WE CAN INDICATE TO THE GOI A FAVORABLE DECISION WHERE IT IS POSSIBLE TO DO SO AND SYMPATHETIC CONSIDERATION FOR THEIR POSITION IN THE MULTILATERALS.  
SCHNEIDER

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## Message Attributes

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